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**ARIZONA CORPORATION COMMISSION**

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December 17, 2008  
ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Mr. Brian P. Tompsett  
Executive Vice President  
Johnson Utilities, LLC  
5230 East Shea Boulevard  
Scottsdale, Arizona 85254

Arizona Corporation Commission  
**DOCKETED**

DEC 17 2008

Jeffrey W. Crockett  
Snell & Wilmer LLP  
One Arizona Center  
Phoenix, Arizona 85004-2202

DOCKETED BY	
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RE: Johnson Utilities, L.L.C., - APPLICATION FOR A RATE INCREASE  
DOCKET NO. WS-02987A-08-0180

Dear Messrs. Tompsett and Mr. Crockett:

Staff has met with representatives of Johnson Utilities, L.L.C. ("Company") on September 10, 2008 and November 4, 2008 to discuss the discovery process in this case. During those meetings, Staff expressed concerns that the Company's responses to Staff's data requests were late, incomplete or non-responsive. During those meetings, the Company committed to respond to Staff's data requests more timely and completely. Despite repeated assurances by the Company, to date, the Company has continued to file responses that are beyond the 10 day filing requirement or incomplete.

Staff must now insist that the Company file all responses to all outstanding and current data requests by January 8, 2009. Staff will make adjustments according to the information received as of January 8, 2009. Staff reserves the right to disregard any responses to current and outstanding data requests received after January 8, 2009. Staff further reserves the right to issue more data requests as needed.

For your convenience, attached is a listing of all data requests that have incomplete responses.

Sincerely,

Elijah Abinah  
Assistant Director/Acting Chief Accountant  
Regulatory Analysis Section  
Utilities Division

cc: Docket Control Center (fifteen copies)  
Vicki Wallace, Consumer Services  
Delbert Smith, Engineering  
Lyn Farmer, Hearing Division

## OUTSTANDING DATA REQUESTS

Staff has requested invoices and other supporting documentation on numerous occasions for the water and wastewater plant additions in the following data requests:

JMM 1-43, sent July 31, 2008  
JMM 1-44, sent July 31, 2008  
JMM 8-7, sent October 15, 2008  
JMM 8-8, sent October 15, 2008  
JMM 9-1, sent November 4, 2008

Actual invoices are necessary to provide sufficient competent evidence of (1) the actual materials, services, and labor purchased and (2) the actual cost of those items. To date, Staff has only received invoices supporting the 1999 plant additions. The remainder of the documentation received was primarily AIAC agreements with *affiliates* which show *cost estimates only*.

Further, Staff has noted an inconsistency in your response to Staff's request (JMM 8) to provide actual invoices, in compliance with the Commission's affiliate rules, for plant constructed by affiliates. You stated:

Johnson Utilities became a Class A utility pursuant to A.A.C. R14-2-103.A.3.q for water and wastewater in 2005. Johnson Utilities did not enter into any AIAC agreements with an affiliated party in 2005 to present.

However, the payee for all the canceled checks provided in support of 2005, 2006, and 2007 plant additions (JMM 9-1) was to an affiliate.

Staff has requested the affiliate profit included in the water and wastewater plant by plant account and by year in the following data requests:

JMM 1-18, sent July 31, 2008  
JMM 9-2, sent November 4, 2008

To date, you have not provided the affiliate profit included in the water and wastewater plant by plant account. Moreover, Staff has noted an inconsistency in the percentage of affiliate profit you report is included in plant. In response to data request JMM 4-1, you indicated that the amount of affiliate profit ranged from five percent to ten percent (this is evidenced by the AIAC agreements you provided); however, the amount of affiliate profit you reported in response to data request 9-2 is 1.75 percent.